

Connecticut Attorney General - Sharon Hospital
Discounted Cash Flow Method
Valuation Date: July 31, 2001

Sharon Hospital - Year Ended September 30th		FY 2000	FY 2001	Projected		
		Actual	Est/Actual			
		Results	Results	2002	2003	2004
Govt. Gross Patient Revenue		\$ 32,424,892	\$ 30,537,651	\$ 31,656,678	\$ 33,246,805	\$ 35,180,508
Non-Govt. Gross Patient Revenue		23,103,925	26,013,554	27,477,764	29,491,460	31,792,518
Total Gross Patient Revenue		55,528,817	56,551,205	59,134,443	62,738,265	66,973,026
% Growth:			1.8%	4.6%	6.1%	6.7%
Less: Contractual Allowances		24,125,483	22,785,859	24,836,466	26,850,071	28,628,671
Less: Uncompensated Care		2,413,173	934,627	1,371,919	1,435,528	1,533,774
Less: Other Deductions		407,831	500,000	-	-	-
		26,946,487	24,220,486	26,208,385	28,285,599	30,162,445
Total Net Patient Revenues		\$ 28,582,330	\$ 32,330,719	\$ 32,926,058	\$ 34,452,666	\$ 36,810,581
% Growth:			13.1%	1.8%	4.6%	6.8%
Plus: Other Operating Revenue		1,973,337	1,316,740	1,218,264	1,274,749	1,361,991
Revenue from Operations		30,555,667	33,647,459	34,144,322	35,727,415	38,172,572
Salaries and Fringe Benefits		\$ 15,884,192	\$ 15,416,576	\$ 17,110,226	\$ 17,934,396	\$ 18,880,176
Contracted Services Fees		10,069,379	13,523,283	9,583,599	8,205,830	8,440,681
Supplies and Drugs		3,773,857	4,432,037	4,445,018	4,651,110	4,969,428
Lease Expense		284,591	254,152	220,000	253,000	290,950
Depreciation Expense		2,280,601	2,161,452	828,150	915,650	1,040,650
Interest Expense		633,271	591,152	369,000	546,000	708,000
Corporate Expense Allocations		-	-	750,000	750,000	750,000
Sales and Property Taxes		-	-	313,960	362,824	405,409
Other Operating Expense		-	-	-	-	-
Total Operating Expenses		32,925,891	36,378,652	33,619,953	33,618,810	35,485,295
Gain (Loss) from Operations		\$ (2,370,224)	\$ (2,731,193)	\$ 524,369	\$ 2,108,605	\$ 2,687,277
Plus: Non-Operating Revenue		308,269	322,802	-	-	-
Revenue Over/(Under) Expense		(2,061,955)	(2,408,391)	524,369	2,108,605	2,687,277
Less: Corporate Income Taxes	40%	-	-	209,747	843,442	1,074,911
Net Income (Loss)		\$ (2,061,955)	\$ (2,408,391)	\$ 314,621	\$ 1,265,163	\$ 1,612,366
EBIT		\$ (1,736,953)	\$ (2,140,041)	\$ 893,369	\$ 2,654,605	\$ 3,395,277
EBITDA		\$ 543,648	\$ 21,411	\$ 1,721,519	\$ 3,570,255	\$ 4,435,927
Net (loss) income			\$ (2,408,391)	\$ 314,621	\$ 1,265,163	\$ 1,612,366
Plus: Depreciation			2,161,452	828,150	915,650	1,040,650
Plus: Interest Expense			591,152	369,000	546,000	708,000
Less: Capital Expenditures			200,000	1,500,000	2,000,000	3,000,000
Less: Working Capital Investment	10%		374,839	59,534	152,661	235,791
Available Cash Flow			\$ (230,626)	\$ (47,763)	\$ 574,152	\$ 125,225
Partial Year Factor			0.1671	1.0000	1.0000	1.0000
Mid-Year Convention			0.0836	1.1671	2.1671	3.1671
Present Value Factor	15%		0.9884	0.8495	0.7387	0.6423
Present Value of Available Cash Flow			\$ (38,095)	\$ (40,574)	\$ 424,118	\$ 80,436

Sum of Present Value of Available Cash Flow
Present Value of Residual Value
Enterprise Value

\$ 425,886
12,201,957
\$ 12,627,843

Residual Calculation

Residual Cash Flow
Divided by: Cap Rate (r-g)

Equal: Residual Value

Times: PV Factor
PV of Residual Value

Exhibit I

Residual

\$ 36,235,923
32,746,294
<div></div>
68,982,216
3.0%
29,487,531
1,579,787
-
<div></div>
31,067,318
\$ 37,914,898
3.0%
1,402,851
<div></div>
39,317,749
\$ 19,446,582
8,693,901
5,118,511
299,679
1,071,870
729,240
772,500
417,571
-
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36,549,854
\$ 2,767,896
-
<div></div>
2,767,896
1,107,158
<div></div>
\$ 1,660,737
<div></div>
\$ 3,497,136
\$ 4,569,005
\$ 1,660,737
1,071,870
729,240
1,071,870
110,432
<div></div>
\$ 2,279,546

\$ 2,279,546
12.0%
<div></div>
18,996,213
0.6423
<div></div>
\$ 12,201,957